

Message Text

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11

ACTION XMB-04

INFO OCT-01 NEA-09 ISO-00 EB-07 COME-00 TRSE-00 AID-05

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R 160715Z FEB 75

FM AMEMBASSY KABUL

TO SECSTATE WASHDC 1398

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E.O. 11652: N/A

TAGS: EFIN, AF

SUBJ: EXIM FINANCING FOR WIDE-BODIED AIRCRAFT

REF: A. STATE 33542; B. KABUL 776

1. WHILE EMBASSY OBVIOUSLY CAN MAKE NO JUDGMENT ABOUT EXTENT OF BANK'S COMMITMENTS IN TERMS OF SIZE OF LOAN NEEDED BY ARIANA, WE ARE PUZZLED BY REFERENCE TO "COUNTRY CONDITIONS" IN REFTEL A. EMBASSY'S MOST RECENT ASSESSMENT, THE UNCLAS-SIFIED ECONOMIC TRENDS REPORT (KABUL A-7, DATED JANUARY 28, 1975) CONCLUDED THAT, WHILE DIFFICULTIES CONTINUE, THE MOST PROBABLE ECONOMIC TENDENCY IS FOR GRADUAL IMPPROVEMENT IN ALL ASPECTS OF THE ECONOMY OVER NEXT TEN YEARS. SINCE AT PRESENT AFGHANISTAN ENJOYS FAVORABLE FOREIGN EXCHANGE RESERVES, AN ENVIABLE DEBT SERVICING RATIO, AN EXCELLENT DEBT REPAYMENT RECORD, AND A SMALL CURRENT CREDIT DRAWDOWN FROM EXIM, WE DO NOT UNDERSTAND WHICH COUNTRY CONDITIONS BOTHER THE BANK. MOREOVER, AS STATED IN REFTEL B, ARIANA, THE PROSPECTIVE BORROWER, HAS PROVEN ITSELF PROFITABLE EVEN DURING THE RECENT PERIOD OF WORLDWIDE SEVERE AIRLINE PROFIT REDUCTIONS. ARIANA'S ECONOMIC JUSTIFICATION FOR PURCHASE INCLUDES COST OF LOAN REPAYMENT.

2. IN SHORT, EMBASSY CONSIDERS THIS LOAN JUSTIFIABLE ON BASIS OF PERCEIVED COUNTRY CONDITIONS. MOREOVER, THIS SALE WOULD CONTRIBUTE TO U.S. BALANCE OF PAYMENTS

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AS WELL AS TO THE GROWTH OF A PROFITABLE AIRLINE WITH

49 PERCENT U.S. EQUITY IN AN UNDERDEVELOPED COUNTRY
WITH QUITE GOOD PROSPECTS FOR GROWTH. AMBASSADOR
STRONGLY RECOMMENDS RE-EXAMINATION BY BANK OF ITS
POSITION, TAKING LATEST ASSESSMENTS OF COUNTRY CONDI-
TIONS INTO ACCOUNT, AND URGES BANK TO PROVIDE ENCOURAGE-
MENT TO ARIANA IF AT ALL POSSIBLE, ASSUMING AIRLINES'S
REQUEST CONTAINS SUFFICIENT ECONOMIC JUSTIFICATON HZ
SUPPORT LOAN.

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Message Attributes

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